

NETSCAPE'S BUSINESS GOING FORWARD

240. Despite, and in response to, Microsoft's anticompetitive practices, Netscape's business strategies have continued to evolve. Netscape is a public company, and as such our shareholders expect us to analyze the market and move forward to do our best to produce a positive return on their investments. We cannot, and have not, closed up shop and gone home in the face of Microsoft's unrelenting attack on our browser business.
241. The market reality today is that browsers are free. Netscape generates no

income from the browser we continue to ship. In this regard, we have studied the market and have proceeded to enter new businesses.

242. Because Netscape's employees are among the most knowledgeable in the world about the Internet, and because we have continued to recruit new talent aggressively, the knowledge base of the Netscape work force and their innate ability and desire to continue innovating in the Internet software space are Netscape's greatest assets. This has allowed Netscape to enter and succeed dramatically in two new emerging markets.
243. For example, today, Netscape generates more total revenue -- largely from Enterprise Internet Software and Internet portals -- than it did when the browser still generated revenue.
244. In the Enterprise Internet Software space, Netscape has become a leader in: (1) messaging systems for electronic mail; (2) application servers which enable businesses to build custom Internet applications for their employees, partners and customers, and Internet directory and system management software; (3) web publishing applications; and (4) electronic commerce applications. Our customers include many of the largest and most important corporations in the world who have placed their trust in our ability to continue to innovate, to produce quality software, and to deliver superior service and support.
245. In addition, Netscape is also one of the leading Internet Portal companies.

Today, Netscape Netcenter has over 7 million registered users and is consistently one of the five most visited websites on the Internet as measured by independent sources. Users visit Netcenter to access: (1) several leading Internet search engines; (2) web-based electronic mail; (3) software downloads for dozens of applications made by Netscape as well as many other software vendors; (4) personalized news and information; and (5) other content and communications.

246. The future of Netcenter represents nothing short of a fundamental shift in the way most people will access news, financial and banking services, employment services, and communication resources. The most recently announced innovations include the convergence of Netcenter and online banking, as well as Netcenter and telephone, paging and fax services. Today, people surf the web and visit portals primarily to access static information sources. Tomorrow, through continued Netscape innovations and partnerships with the world's leading enterprises, people will use Netcenter to manage their finances, pay bills, and make phone calls.

247. Netscape will also continue the convergence of Netcenter and the enterprise software business. While some of the world's largest companies have been among the earliest adopters of Enterprise Internet Software, it is clear that smaller businesses must also adopt these technologies in order to remain competitive. Netcenter will provide an affordable opportunity for small

businesses to avail themselves of these technologies so they can interact with their geographically dispersed, and in many cases much larger, trading partners. Businesses will have the opportunity to increase dramatically their profitability and productivity through the use of these and other future Netscape innovations.

REMEDY

248. I have been asked by many people what I believe would be an appropriate and effective remedy for Microsoft's anti-competitive conduct, described above. While that decision, of course, is not for me to make, I believe the most important factor the Court should consider is the remedy's effects on competition and consumers.
249. The browser is important not simply to Netscape, but because, as Bill Gates explicitly recognized, it offers the opportunity for an alternative software platform and a paradigm shift in the industry. This could have a major effect on competition and consumers. I do not believe in government regulation of the software industry, so I do not believe it is up to the government to decide whether such a development would be good or bad. Rather, I believe that consumer choice in a free market leads to more innovation and ultimately to the products and approaches consumers want most at the lowest possible price.
250. Unfortunately, due to Microsoft's use of its monopoly power over the

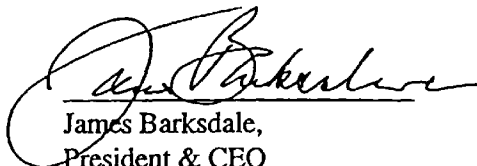
operating system to squelch competition in the browser market, consumers for the last three years have not had an unfettered choice. Any remedy, to be effective, must prevent the use of such monopoly power to stifle innovation and choice. One way to do that, of course, would be to separate Microsoft's operating system efforts and personnel from those working on applications software, so that competition in the latter area would not be unfairly limited by the power of the monopoly operating system. I believe that the most appropriate remedy for the practices I have described above would be to order Microsoft to distribute Internet Explorer separately from its operating system products and to be prohibited from forcing the "bundling" of those two products or from entering into exclusionary contracts relating to distribution of Internet Explorer. In particular, one of the consumer advantages that Microsoft uses to argue in favor of its so-called "integration" is the ability of its browser to browse information located on distant sites (such as the Internet) and on local sites (such as a computer's hard drive) in a consistent fashion. This, however, as well as a host of other advantages that Microsoft claims to have achieved by "integration," does not justify "integration" by Microsoft, because the Netscape product, or a competing browser, is capable of accomplishing the same tasks with the same benefits when installed on Windows.

251. In the final analysis, whatever precise approach the Court adopts, I believe

the touchstone should be to give consumers a full, fair choice of products, without the power of a monopoly operating system pushing them in a direction that free competition may or may not achieve. Only such free competition will result ultimately in innovation and the best products at the lowest prices.

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

Executed this 13th day of October 1998 at Mountain View, California.

A handwritten signature in black ink, appearing to read "James Barksdale", is written over a horizontal line.

James Barksdale,
President & CEO
Netscape Communications Corporation